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13 June 1967

MEMORANDUM FOR:

SUBJECT : Why Does R&D Cost More?

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1. At last Thursday's staff meeting, Carl requested that we pass on to you any ideas we might have on the subject of rising R&D costs. Here are three items you might like to consider:

a. The opposition's capabilities to counter our efforts continue to improve; therefore yesterday's audio equipment won't do the job and neither will the U-2 in today's environment. I suspect the cost of the U-2 aircraft vs. the OXCART would make this point reasonably dramatic. The message is that more increasingly expensive R&D is required just to maintain our position.

b. New types of targets are developing: new weapons, etc. The laser is a good example. We don't have any really good means of monitoring laser weapons applications or development, and to do so is going to require some ingenious thinking, and no doubt equally ingenious (costly) R&D.

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c. The technology has spread -- and we need R&D to more efficiently cope with that spread. [redacted] can no longer remain focused on Russia only for example, and when you have to deal with that problem under a number of different circumstances the need for appropriate types of equipment (and the R&D to develop that equipment) also broadens. Doing more of the same thing is not always an acceptable solution: the spread requires the development of ways to do the job differently.

d. The types of targets in which interest is greatest are more and more frequently technical targets that require

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technical probes to get the required answers. As an example, audio is just great, but wouldn't it be nice now to listen to computers which for all intents and purposes didn't even exist ten years ago. The answer to listening to computers, of course, is not to hire more people with bigger ears -- and this illustrates the type of change involved.

2. Although the foregoing pertains primarily to R&D for intelligence collection, analysis, etc., there are parallel cost increases for R&D in industry which might be useful to consider in the presentation:

a. Technology is wider today, i. e., many new fields develop each year;

b. Technology is deeper, i. e., we do indeed know more and more about more and more;

c. The cost of failure is multiplied because substantial investments are required just to determine feasibility, i. e., all the \$2.00 and \$5.00 windows are closed.

3. I have a few batches of statistics put out by National Science Foundation, etc., that might be useful, and would be happy to review these with you. For example, in FY 66 the DoD cost for printing, distributing, etc., scientific and technical information was

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